



Fortify Your Portfolio by Investing Alongside Bill Gates in This Downturn-Ready Stock

Description

Regular readers of my articles will know that I often talk about [stocks that investment banks or institutional investors love](#). The reason I do this is that I like investing alongside really savvy investors who understand financial markets in a way that average investor like you or I likely don't.

I especially get giddy when astute investors buy the stock of a company at a higher price than what it is trading at currently because that reduces the risk for an average investor of ploughing into the stock as well.

Today, I want to spend time talking about a Canadian stalwart that is taking a beating due to the unfavourable macro-economic climate but has a staunch ally in Bill Gates, who bought a truckload of stock in August. You are right if you guessed **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)).

I have written about CN Rail recently as a [very high-quality, long-term investment](#) for smart investors, and I believe it is now an even more enticing proposition than it was a few weeks ago.

Bill Gates has been piling in for years

A lot of investors don't know that a relatively unknown investment company Cascade Investment has Bill Gates as its only beneficial owner. In other words, Cascade is Bill Gates's personal investment vehicle. Between August 2 and August 13 of this year, Cascade, with an ownership position exceeding 10%, acquired a total of one million shares at an average price per share of about US\$93, equivalent to a Canadian dollar price of about \$122, raising Cascade's investment in CN Rail to 101 million shares.

Bill Gates has been building a position in Canada's largest rail company since 2006 and now owns around \$11.6 billion in CN Rail stock, making him the largest shareholder by a country mile.

In addition to this personal investment, the Bill & Melinda Gates Foundation also owns about 17 million shares in CN Rail, giving Bill Gates effective control of over 16% of CN Rail between Cascade

Investment and the foundation.

Why does this matter?

There are a lot of good things that happen when Bill Gates becomes involved in something. First, there is the automatic market recognition that a very successful investor, who also happens to be the world's richest man most years, feels bullish about a particular company. This creates a lot of positive buzz, not unlike when Warren Buffett expresses admiration for a stock.

What is most important, though, is the little-known fact that Canadian law allows Bill Gates to acquire up to 25% of the company without running into any regulatory issues whatsoever. Bill Gates has been a very steady purchaser of the stock since 2006, and there is no reason to doubt that he would make further opportunistic investments in CN Rail over the next several years until Cascade reaches the 25% allowable limit.

How do we feel about the stock price?

CN Rail was changing hands at \$124 as recently as early September, and the wheels have come off a little bit since then and the stock is now trading at \$114, which represents a 9% decline. The primary reason for the decline has been the ongoing U.S. – China trade dispute, which has resulted in nervous customers who have clamped down on sending goods by rail, or frankly by any other means.

Remember, Bill Gates had no problem investing at \$122, and this is the type of long-term investor you want to get behind. Not to mention, CN Rail isn't just sitting still as the company faces turbulence. The company continues to advance its strategic agenda on many fronts.

One example of that is its continued work on the technology front with its recent investments in robotics process automation as well as implementation for handheld technologies for rail crews to gain efficiencies and communicate in a more real-time manner with customers.

The final verdict

CN Rail is facing short-term headwinds, as is the entire railroad industry. However, the company continues to make all the right investments in its operations that will pay off when there is a thawing of U.S.-China trade relations and customers resume usual shipments.

Until then, smart investors will do well to start accumulating a position in CN Rail alongside Bill Gates, one of the smartest investors of all time.

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